of the Omnibus Trade and Competitiveness Act of 1988, Pub. L. No. 100-418, 102 Stat. 1107. In the 1988 legislation, Congress eliminated the injury requirement in statutory intellectual-property-based cases to make it less onerous for domestic companies to protect their intellectual property rights against infringing imports. 19 U.S.C. § 1337. The House Committee Report explained that "[t]he importation of any infringing merchandise derogates from the statutory right, diminishes the value of the intellectual property, and thus indirectly harms the public interest. Under such circumstances, the Committee believes that requiring proof of injury, beyond that shown by proof of the infringement of a valid intellectual property right, should not be necessary." H.R. Rep. No. 100-40, 100th Cong., 1st Sess. 156 (Apr. 6, 1987). The Federal Circuit has now revived what Congress sought to eliminate, and it has done so in a Section 337 case involving a federally registered trademark.

Consequently, when either prong of the Federal Circuit's material difference standard is viewed independently, significant conflicts exist among the circuits. The Federal Circuit created cross-cutting cleavages when it combined the two prongs in a hybrid standard that no other court has ever adopted. The extremity of this new standard commands review by this Court.

II. THIS CASE PRESENTS THE APPROPRIATE VEHICLE TO RESOLVE THE CONFLICT.

The Government contends that this case "is not the appropriate vehicle" for resolving the conceded conflict, preferring to see the conflict resolved in the rare case where "a trademark owner has authorized the sale of a single nonconforming good." Govt. Br. at 8. The Government's preference rests on its attempt to narrow the conflict unduly and redirect the Court's attention away from the Federal Circuit's stringent hybrid standard. It is also at odds with the environment in which trademark owners by necessity operate. Simply put, commercial realities of the marketplace prevent,

or even advise against, the perfection or near-perfection required by the Federal Circuit.

Moreover, particularly in the context of nonphysical differences such as those presented in this case, the so-called "nonconforming" nature of the sales is often intentional. The provision of technical services, at issue in this case, illustrates a broader pattern. Certain manufacturers may provide extensive services in the aftermarket, and provide limited or no services in the original equipment manufacturer (OEM) market, because there is no risk of consumer confusion. The trademark owner may segment its market in a manner that respects diverse consumer expectations yet maintains its wall against customer confusion and diminishment of the value of the trademark. This strengthens the trademark instead of weakening it. In contrast, a flood of unauthorized and truly nonconforming gray market imports may breach the trademark owner's wall. Such is the case in the bearings market where Bearings Limited and other gray market sellers do not provide *any* technical services with their sales of SKF-branded bearings.

In any event, the hypothetical fact pattern preferred by the Government and Bearings Limited—a single nonconforming sale—was addressed by the Fifth Circuit nine years ago in *Martin's Herend*, and its decision represents a conflicting line of precedent. That case, however rare, involved only *physical* material differences, and it resulted solely from the fact that the products at issue were highly artistic, imported in small quantities, and essentially unique. It is well established that the consumer confusion "standard is elevated" in cases involving highly artistic, fanciful or luxury goods. J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 23:96 (4th ed. 2005). Ball bearings may be about as far from artistic, fancy, or luxury as products can get. In that sense, they are *more* typical of manufactured goods in general and therefore present an excellent setting in which to clarify rules of general applicability with respect to products

crucial to the U.S. economy in a way that artistic figurines simply are not.

The conflict as to the appropriate material difference standard for gray market trademark infringement is both widespread and longstanding. It involves no fewer than six circuits and has persisted for decades. *See* Jerome Gilson, *Trademark Protection and Practice* § 5.10A[1] (2005). It will not percolate away. And as the Federal Circuit's most recent decision in *Bourdeau* indicates, the Federal Circuit's stringent hybrid standard, which no other Court has ever adopted, will continue to prevent domestic manufacturers from obtaining effective relief under Section 337, the very law designed by Congress to redress infringement by imports. This situation is ripe for review, and this is the right case in which to grant it.

CONCLUSION

For the foregoing reasons ~~and those~~ stated in the petition, this Court should grant the petition for a writ of certiorari.

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